

## **Environmental Finance Program**

EPA Office of the Chief Financial Officer

**Description of activity:** The U.S. Environmental Protection Agency created the Environmental Finance Program (EFP) as a national and regional effort to assist communities in their search for creative approaches to funding environmental projects. Two major components of the EFP are the Environmental Finance Center (EFC) Network and the Environmental Financial Advisory Board (EFAB), a Federal Advisory Committee.

The EFC Network is an organization of nine university-based technical assistance Centers located in eight Federal Regions. Their main customers are municipalities, small businesses, and Tribal entities. In addition, they work with all EPA programs, other federal Agencies/programs such as USDA, state environmental programs, environmental NGO's, and small businesses.

The EFCs address the full range of environmental issues, including hazardous waste, air, water, wastewater, solid waste, brownfields, environmental technologies and pollution prevention. The financial outreach services of the EFCs include identifying innovative ways of lowering and shifting costs, improving efficiencies, and increasing private sector investment in environmental systems. They leverage their core EPA funding into projects through in-kind contributions, support from students, faculty, their universities and other program partners who work in the states they serve. All of these supplement their direct spending and efforts, amounting to another dollar for every dollar they receive in core funding. The EFCs collaborate with each other to share and integrate information, financial tools and techniques to develop innovative solutions to difficult problems and routinely partner with other public and private entities to complete projects throughout the country.

Many EFCs work directly with communities to assist with specialized needs. For example, the EFC at the University of North Carolina (Region 4) provided direct technical assistance to several communities, helping them improve a failing water system, expand a sewer system, develop a draft proposal for an innovative finance program for failing septic systems, and develop a rate study and business plan. The EFC at New Mexico Tech (Region 6) worked with a tribal water system to evaluate a new method of arsenic removal. In addition to direct assistance, the EFCs are involved in developing financial tools and outreach products to disseminate financing information to small communities and relevant stakeholders. For example, the EFC at Boise State University (Region 10) developed a number of new software tools. These include a full-cost pricing model for water utilities known as Rate Checkup. This software integrates the EFC's asset refinancing model, known as CAPFinance, in developing accurate, fair, and equitable user charges for water utilities.

The Environmental Financial Advisory Board (EFAB) was chartered as a federal advisory committee in 1991 and seeks to provide the Agency with advice about reducing environmental costs, discouraging polluting behavior, increasing environmental investments, developing innovative cost-effective approaches, promoting public-private partnerships, and increasing state and local capacity to implement environmental activities.

Since then it has produced numerous advisories, reports, and technical analyses on an extraordinarily wide range of environmental finance topics. The Board has furnished assistance to the Administrator's Office and all major media offices, providing well considered and useful advice to the Agency's Clean Water and Drinking Water State Revolving Fund programs, SmartWay Transport program, and the Brownfields and Superfund programs to name a few. One example of the impact of Board's work is its recommendation that EPA approve requests by state SRFs to allow extended term financing consistent with the useful life of a facility, which would result in lower annual debt service costs for communities. This report contributed to EPA's issuing a Policy Statement that the Clean Water Act does not require a State to impose a 20-year repayment obligation on their SRF funds, but can extend the repayment out for up to 40 years.

Each year EFAB prepares a strategic action agenda that lays out the work in progress and future projects along with their linkage to the Agency's strategic goals. A good indicator of the Board's worth is that its charter has consistently been renewed every two years and that there continues to be widespread interest in the financial communities in serving on it. For 2008, the EFAB is exploring issues such as sustainable watershed financing, , leveraging the clean water and drinking water state revolving loan funds, environmental management systems and environmental public-private partnerships.